

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Frankenmuth	County Saginaw
Audit Date March 31, 2004	Opinion Date April 16, 2004	Date Accountant Report Submitted to State: April 16, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government* promulgated by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>			

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

~~GENERAL PURPOSE~~ FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

✓ MAY - 7 2004
Year Ended March 31, 2004

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

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TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

April 16, 2004

To the Township Board
Township of Frankenmuth
Saginaw County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Frankenmuth, Saginaw County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Frankenmuth's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements do not include the General Fixed Assets Group of Accounts, which should be included to conform to generally accepted accounting principles.

In our opinion, except that the omission of the financial statement described above results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Frankenmuth, Saginaw County, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting standards generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Frankenmuth, Saginaw County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF FRAKENMUTH
Saginaw County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
<u>Assets</u>			
Investments	400 412 93	346 384 82	78 165 43
Taxes receivable	1 322 45	-	-
Special assessments receivable	-	10 173 94	962 00
Due from other funds	40 57	-	-
Property, mains and equipment	-	-	-
Accumulated depreciation	-	-	-
Total Assets	<u>401 775 95</u>	<u>356 558 76</u>	<u>79 127 43</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	-	18 619 55	-
Due to other funds	-	-	-
Due to others	-	-	-
Bonds and loans payable	-	-	-
Deferred revenue – special assessments	-	-	-
Total liabilities	<u>-</u>	<u>18 619 55</u>	<u>-</u>
Fund equity:			
Contributed capital	-	-	-
Retained earnings:			
Unreserved	-	-	-
Fund balances:			
Reserved:			
Cemetery maintenance	-	-	-
Unreserved:			
Undesignated	<u>401 775 95</u>	<u>337 939 21</u>	<u>79 127 43</u>
Total fund equity	<u>401 775 95</u>	<u>337 939 21</u>	<u>79 127 43</u>
Total Liabilities and Fund Equity	<u>401 775 95</u>	<u>356 558 76</u>	<u>79 127 43</u>

The accompanying notes are an integral part of these financial statements.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total</u>
<u>Enterprise</u>	<u>Trust and Agency</u>	<u>(Memorandum Only)</u>
956 035 18	29 388 32	1 810 386 68
-	-	1 322 45
982 195 73	-	993 331 67
-	-	40 57
3 470 945 57	-	3 470 945 57
<u>(766 753 76)</u>	<u>-</u>	<u>(766 753 76)</u>
<u>4 642 422 72</u>	<u>29 388 32</u>	<u>5 509 273 18</u>

-	14 34	18 633 89
-	40 57	40 57
-	3 323 25	3 323 25
1 603 670 00	-	1 603 670 00
969 391 93	-	969 391 93
<u>2 573 061 93</u>	<u>3 378 16</u>	<u>2 595 059 64</u>

384 788 95	-	384 788 95
1 684 571 84	-	1 684 571 84
-	26 010 16	26 010 16
-	-	818 842 59
<u>2 069 360 79</u>	<u>26 010 16</u>	<u>2 914 213 54</u>
<u>4 642 422 72</u>	<u>29 388 32</u>	<u>5 509 273 18</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2004

EXHIBIT B
Page 1

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>Capital</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Projects</u>	<u>Only)</u>
Revenues:				
Property taxes	69 139 83	-	-	69 139 83
Licenses and permits	14 773 41	-	-	14 773 41
State revenue sharing	144 589 00	385 00	-	144 974 00
Charges for services:				
Property tax administration	24 585 58	-	-	24 585 58
Interest	3 079 16	1 552 74	434 38	5 066 28
Special assessments	1 375 00	390 826 24	29 668 00	421 869 24
Miscellaneous	11 972 43	2 366 15	-	14 338 58
Total revenues	<u>269 514 41</u>	<u>395 130 13</u>	<u>30 102 38</u>	<u>694 746 92</u>
Expenditures:				
Legislative:				
Township Board	47 244 89	-	-	47 244 89
General government:				
Supervisor	12 277 51	-	-	12 277 51
Elections	577 83	-	-	577 83
Assessor	20 468 50	-	-	20 468 50
Clerk	12 263 91	-	-	12 263 91
Board of Review	866 19	-	-	866 19
Treasurer	15 459 81	-	-	15 459 81
Building and grounds	8 397 00	-	-	8 397 00
Cemetery	4 677 00	-	-	4 677 00
Public safety:				
Police protection	-	172 880 00	-	172 880 00
Fire protection	29 265 00	-	37 933 00	67 198 00
Protective inspection	26 063 22	-	-	26 063 22
Planning and zoning	9 698 98	-	-	9 698 98
Public works:				
Highways and streets	23 338 58	222 140 39	-	245 478 97
Street lighting	3 455 77	-	-	3 455 77
Sanitation	-	76 973 07	-	76 973 07
Other:				
Social security	<u>4 220 40</u>	<u>-</u>	<u>-</u>	<u>4 220 40</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Total expenditures	<u>218 274 59</u>	<u>471 993 46</u>	<u>37 933 00</u>	<u>728 201 05</u>
Excess (deficiency) of revenues over expenditures	<u>51 239 82</u>	<u>(76 863 33)</u>	<u>(7 830 62)</u>	<u>(33 454 13)</u>
Other financing sources (uses):				
Operating transfers in	-	113 000 00	35 000 00	148 000 00
Operating transfers out	<u>(148 000 00)</u>	-	-	<u>(148 000 00)</u>
Total other financing sources (uses)	<u>(148 000 00)</u>	<u>113 000 00</u>	<u>35 000 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(96 760 18)	36 136 67	27 169 38	(33 454 13)
Fund balances, April 1	<u>498 536 13</u>	<u>301 802 54</u>	<u>51 958 05</u>	<u>852 296 72</u>
Fund Balances, March 31	<u>401 775 95</u>	<u>337 939 21</u>	<u>79 127 43</u>	<u>818 842 59</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	69 470 00	69 139 83	(330 17)
Licenses and permits	10 000 00	14 773 41	4 773 41
State revenue sharing	141 000 00	144 589 00	3 589 00
Charges for services:			
Property tax administration	25 000 00	24 585 58	(414 42)
Interest	6 200 00	3 079 16	(3 120 84)
Special assessments	1 400 00	1 375 00	(25 00)
Miscellaneous	<u>9 700 00</u>	<u>11 972 43</u>	<u>2 272 43</u>
Total revenues	<u>262 770 00</u>	<u>269 514 41</u>	<u>6 744 41</u>
Expenditures:			
Legislative:			
Township Board	59 500 00	47 244 89	(12 255 11)
General government:			
Supervisor	12 700 00	12 277 51	(422 49)
Elections	2 850 00	577 83	(2 272 17)
Assessor	20 700 00	20 468 50	(231 50)
Clerk	13 250 00	12 263 91	(986 09)
Board of Review	1 100 00	866 19	(233 81)
Treasurer	15 700 00	15 459 81	(240 19)
Building and grounds	8 397 00	8 397 00	-
Cemetery	4 677 00	4 677 00	-
Public safety:			
Police protection	-	-	-
Fire protection	29 265 00	29 265 00	-
Protective inspection	27 000 00	26 063 22	(936 78)
Planning and zoning	15 400 00	9 698 98	(5 701 02)
Public works:			
Highways and streets	23 500 00	23 338 58	(161 42)
Street lighting	4 000 00	3 455 77	(544 23)
Sanitation	-	-	-
Other:			
Social security	<u>4 600 00</u>	<u>4 220 40</u>	<u>(379 60)</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
400 00	385 00	(15 00)
-	-	-
3 300 00	1 552 74	(1 747 26)
380 630 00	390 826 24	10 196 24
-	<u>2 366 15</u>	<u>2 366 15</u>
<u>384 330 00</u>	<u>395 130 13</u>	<u>10 800 13</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
172 905 00	172 880 00	(25 00)
-	-	-
-	-	-
-	-	-
264 250 00	222 140 39	(42 109 61)
-	-	-
83 250 00	76 973 07	(6 276 93)
<u>-</u>	<u>-</u>	<u>-</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Total expenditures	<u>242 639 00</u>	<u>218 274 59</u>	<u>(24 364 41)</u>
Excess (deficiency) of revenues over expenditures	<u>20 131 00</u>	<u>51 239 82</u>	<u>31 108 82</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>(148 000 00)</u>	<u>(148 000 00)</u>	<u>-</u>
Total other financing sources (uses)	<u>(148 000 00)</u>	<u>(148 000 00)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(127 869 00)	(96 760 18)	31 108 82
Fund balances, April 1	<u>496 781 11</u>	<u>498 536 13</u>	<u>1 755 02</u>
Fund Balances, March 31	<u>368 912 11</u>	<u>401 775 95</u>	<u>32 863 84</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>520 405 00</u>	<u>471 993 46</u>	<u>(48 411 54)</u>
(136 075 00)	(76 863 33)	59 211 67
113 000 00	113 000 00	-
-	-	-
<u>113 000 00</u>	<u>113 000 00</u>	<u>-</u>
(23 075 00)	36 136 67	59 211 67
<u>303 992 00</u>	<u>301 802 54</u>	<u>(2 189 46)</u>
<u>280 917 00</u>	<u>337 939 21</u>	<u>57 022 21</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS/FUND BALANCES – ALL PROPRIETARY
FUND TYPES AND SIMILAR TRUST FUNDS

EXHIBIT D

Year Ended March 31, 2004

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Cemetery Trust</u>	<u>(Memorandum Only)</u>
Operating revenues:			
Service charges	24 804 10	-	24 804 10
Cemetery lots	-	1 500 00	1 500 00
	<u>24 804 10</u>	<u>1 500 00</u>	<u>26 304 10</u>
Total operating revenues			
Less operating expenses:			
Administration fees	5 831 28	-	5 831 28
Professional fees	26 931 40	-	26 931 40
Repairs and miscellaneous	2 472 72	-	2 472 72
Frankenmuth City/Twp Commission	-	174 14	174 14
	<u>35 235 40</u>	<u>174 14</u>	<u>35 409 54</u>
Total operating expenses before depreciation			
Operating income (loss) before depreciation	(10 431 30)	1 325 86	(9 105 44)
Less: depreciation	(86 009 94)	-	(86 009 94)
	<u>(96 441 24)</u>	<u>1 325 86</u>	<u>(95 115 38)</u>
Operating income (loss)			
Nonoperating revenues and (expenses):			
Special assessments	348 286 34	-	348 286 34
Interest income	6 664 01	174 14	6 838 15
Interest expense	(97 572 40)	-	(97 572 40)
Paying agent fees	(1 900 00)	-	(1 900 00)
	<u>255 477 95</u>	<u>174 14</u>	<u>255 652 09</u>
Total nonoperating revenues and (expenses)			
Net income (loss)	159 036 71	1 500 00	160 536 71
Retained earnings/fund balances, April 1	1 525 535 13	24 510 16	1 550 045 29
Retained Earnings/Fund Balances, March 31	<u>1 684 571 84</u>	<u>26 010 16</u>	<u>1 710 582 00</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINED STATEMENT OF CASH FLOWS – ALL
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
Year Ended March 31, 2004

EXHIBIT E

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Cemetery Trust</u>	
Cash flows from operating activities:			
Cash received from customers	24 804 10	1 500 00	26 304 10
Cash payments to suppliers for goods and services	<u>(35 235 40)</u>	<u>(159 80)</u>	<u>(35 395 20)</u>
Net cash provided (used) for operating activities	<u>(10 431 30)</u>	<u>1 340 20</u>	<u>(9 091 10)</u>
Cash flows from capital and related financing activities:			
Proceeds from special assessments	349 877 86	-	349 877 86
Principal paid on loans and bonds	(183 733 00)	-	(183 733 00)
Interest paid on loans and bonds	<u>(99 472 40)</u>	<u>-</u>	<u>(99 472 40)</u>
Net cash provided (used) for capital and related financing activities	<u>66 672 46</u>	<u>-</u>	<u>66 672 46</u>
Cash flows from investing activities:			
Interest income	<u>6 664 01</u>	<u>174 14</u>	<u>6 838 15</u>
Net cash provided (used) for investing activities	<u>6 664 01</u>	<u>174 14</u>	<u>6 838 15</u>
Net increase (decrease) in cash and cash equivalents	62 905 17	1 514 34	64 419 51
Cash and cash equivalents, April 1	<u>893 130 01</u>	<u>24 510 16</u>	<u>917 640 17</u>
Cash and Cash Equivalents, March 31	<u><u>956 035 18</u></u>	<u><u>26 024 50</u></u>	<u><u>982 059 68</u></u>
Reconciliation of operating income to net cash provided (used) for operating activities:			
Operating income (loss)	(96 441 24)	1 325 86	(95 115 38)
Depreciation	86 009 94	-	86 009 94
Increase (decrease) in accounts payable	<u>-</u>	<u>14 34</u>	<u>14 34</u>
Net Cash Provided (Used) for Operating Activities	<u><u>(10 431 30)</u></u>	<u><u>1 340 20</u></u>	<u><u>(9 091 10)</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Frankenmuth, Saginaw County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Frankenmuth. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

In 1960, the Township entered into a Joint Venture with the City of Frankenmuth to form the Frankenmuth City-Township Commission. The Commission manages jointly owned property and equipment. A financial summary of the Commission as of December 31, 2000, is as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>
Assets	35 747	211 305	405	1 744 642	390 000
Liabilities	2 739	18 000	-	-	390 000
Fund Balance	33 008	193 305	405	1 744 642	-
Revenues	47 871	123 573	127 011	-	-
Expenditures	70 627	105 196	126 606	-	-
Excess of revenues over expenditures	(22 756)	18 377	405	-	-

Contributions of the Township to the Commission for the year ended March 31, 2004, are as follows:

General Fund	42 339 00
Fire Equipment Fund	<u>37 708 00</u>
Total	<u>80 047 00</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Funds

These funds are used to account for the acquisition or construction of major capital assets.

Proprietary Funds

Enterprise Funds

Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Funds

These funds are used to account for assets held in trust or as an agent for others.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

The proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund types. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2003 Township tax roll millage rate was 2.8578 mills and the taxable value was \$79,060,469.00.

Fixed Assets and Depreciation

Purchases of general fixed assets for all funds, other than the Enterprise Funds are recorded as expenditures in the respective funds at the time of purchase. The Township has not maintained a record of its general fixed assets which is required by generally accepted accounting principles.

Property, mains and equipment, in the Enterprise Funds, are stated at cost. Additions, improvements and major replacements are capitalized at cost. Maintenance, repairs and minor replacements are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>-</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	-
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>-</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk-Categorized:				
Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized:				
Financial Institution Pooled Funds				<u>1 810 386 68</u>
Total Investments				<u>1 810 386 68</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 3 – Fixed Assets

A summary of proprietary fund type property, plant and equipment at March 31, 2004, follows:

	Enterprise			
	<u>Water District #5</u>	<u>Water District #6</u>	<u>Water District #7</u>	<u>Water District #8</u>
Property, mains & equipment	254 784 26	109 371 57	184 300 00	647 031 53
Less accumulated depreciation	<u>(63 700 00)</u>	<u>(28 285 00)</u>	<u>(46 080 00)</u>	<u>(141 975 00)</u>
Net	<u>191 084 26</u>	<u>81 086 57</u>	<u>138 220 00</u>	<u>505 056 53</u>

	Enterprise			
	<u>Water District #9</u>	<u>Water District #11</u>	<u>Water District #12</u>	<u>Water General</u>
Property, mains & equipment	138 684 73	653 242 89	913 757 75	569 772 84
Less accumulated depreciation	<u>(31 203 00)</u>	<u>(81 655 00)</u>	<u>(91 375 76)</u>	<u>(282 480 00)</u>
Net	<u>107 481 73</u>	<u>571 587 89</u>	<u>822 381 99</u>	<u>287 292 84</u>

Note 4 – Changes in Long-Term Debt

The following is a summary of bonds and loan transactions of the Township for the year ended March 31, 2004.

Bonds and loans payable at April 1, 2003	1 787 403 00
Bonds issued	-
Bonds and loans retired	<u>(183 733 00)</u>
Bonds and Loans Payable at March 31, 2004	<u>1 603 670 00</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 4 – Changes in Long-Term Debt (continued)

Frankenmuth Township has only water district bonds and loans outstanding. These bonds and loans are described as follows:

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Outstanding</u>
Water District #6 Issue amount – \$105,000	4.80 to 7.75	3/01/2005-2008	5 000 to 10 000	<u>40 000</u>
Water District #7 Issue amount – \$206,000	5.15	3/05/2005-2009	13 733	<u>68 670</u>
Water District #8 and #9 Issue amount – \$775,000	5.00 to 7.00	4/01/2005-2010	50 000 to 75 000	<u>325 000</u>
Water District #11 Issue amount – \$650,000	5.00 to 5.50	3/01/2005-2014	45 000 to 50 000	<u>455 000</u>
Water District #12 Issue amount – \$935,000	5.10 to 7.10	3/01/2005-2015	35 000 to 65 000	<u>715 000</u>

Annual requirements to amortize bonds and loans are as follows:

<u>Fiscal Year</u>	<u>Bond Principal</u>
2004-2005	183,733
2005-2006	183,733
2006-2007	183,733
2007-2008	183,733
2008-2009	173,738
2009-2010	185,000

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 4 – Changes in Long-Term Debt (continued)

<u>Fiscal Year</u>	<u>Bond Principal</u>
2010-2011	110,000
2011-2012	110,000
2012-2013	110,000
2013-2014	115,000
2014-2015	<u>65,000</u>
Total	<u><u>1,603,670</u></u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township does not have a pension plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 8 – Segment Information for Enterprise Funds

The Township maintains eight Enterprise Funds which provide water services. Segment information for the year ended March 31, 2004, is as follows:

	<u>Water General</u>	<u>Water District #5</u>	
Operating revenues	23 204 10	-	
Depreciation expense	14 240 00	6 370 00	
Operating income (loss)	(17 038 91)	(6 961 11)	
Net income (loss)	(15 990 88)	9 377 49	
Contributed capital	384 788 95	-	
Net working capital	155 511 37	39 829 09	
Bonds and other long-term liabilities: Payable from nonoperating revenues	-	-	
Total equity	442 804 21	232 836 08	
	<u>Water District #6</u>	<u>Water District #7</u>	<u>Water District #8</u>
Operating revenues	-	-	800 00
Depreciation expense	2 375 00	4 608 00	15 775 00
Operating income (loss)	(2 692 72)	(5 095 22)	(16 511 78)
Net income (loss)	(798 94)	3 366 67	7 892 58
Contributed capital	-	-	-
Net working capital	13 243 12	42 727 92	(8 416 20)

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 8 – Segment Information for Enterprise Funds (continued)

	<u>Water District #6</u>	<u>Water District #7</u>	<u>Water District #8</u>
Bonds and other long-term liabilities:			
Payable from nonoperating revenues	40 000 00	68 670 00	278 850 00
Total equity	64 881 35	126 736 66	264 585 45
	<u>Water District #9</u>	<u>Water District #11</u>	<u>Water District #12</u>
Operating revenues	-	-	800 00
Depreciation expense	3 467 00	16 331 00	22 843 94
Operating income (loss)	(3 808 50)	(18 234 15)	(26 098 85)
Net income (loss)	(1 713 09)	26 113 92	130 788 96
Contributed capital	-	-	-
Net working capital	33 975 53	137 050 46	358 380 89
Bonds and other long-term liabilities:			
Payable from nonoperating revenues	46 150 00	455 000 00	715 000 00
Total equity	102 407 26	300 025 79	535 083 99

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004.

Note 9 – Interfund Receivables and Payables

For the fiscal year ended, March 31, 2004, the Township had the following interfund receivables and payables:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund Fund</u>	<u>Interfund Payable</u>
General	40 57	Current Tax Collection	40 57
Total	<u>40 57</u>	Total	<u>40 57</u>

Note 10 – Transfers In and Transfers Out

For the fiscal year ended, March 31, 2004, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Police	30 000 00	General	30 000 00
Garbage	8 000 00	General	8 000 00
Road	75 000 00	General	75 000 00
Building	25 000 00	General	25 000 00
Fire Equipment	<u>10 000 00</u>	General	<u>10 000 00</u>
Total	<u>148 000 00</u>	Total	<u>148 000 00</u>

Note 11 – Building Permits

As of March 31, 2004, the Township had building permit revenues of \$14,773.41 and building permit expenses of \$26,063.22.

Note 12 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 1

Township Board:

Wages	3 065 00
Office supplies	1 045 05
Audit fees	800 00
Legal and professional	4 771 14
Tax notice preparation	4 483 34
Parks and recreation	10 000 00
Printing and publishing	894 85
Insurance and bonds	5 823 00
Memberships and dues	1 809 28
Office equipment and maintenance	3 595 18
Library	9 000 00
Miscellaneous	1 958 05
	<u>47 244 89</u>

Supervisor:

Salary	10 400 00
Supplies	1 82
Education and training	1 554 16
Mileage	211 35
Postage	110 18
	<u>12 277 51</u>

Elections:

Supplies	<u>577 83</u>
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Assessor:

Salary	20 000 00
Postage	468 50
	<u>20 468 50</u>

Clerk:

Salary	10 400 00
Supplies	19 96
Education and training	1 843 95
	<u>12 263 91</u>

Board of Review:

Wages	768 00
Education and training	60 00
Printing and publishing	38 19
	<u>866 19</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 2

Treasurer:	
Salary	11 900 00
Supplies	1 567 48
Education and training	1 992 33
	<u>15 459 81</u>
Building and grounds:	
Operating	<u>8 397 00</u>
Cemetery	<u>4 677 00</u>
Fire protection	<u>29 265 00</u>
Protective inspection:	
Building Inspector wages	3 172 66
Plumbing Inspector fees	600 00
Electrical Inspector fees	1 175 00
Mechanical Inspector fees	825 00
Building Administrator wages	9 888 46
Contracted services – Construction Code Group	8 500 00
Office supplies	1 902 10
	<u>26 063 22</u>
Planning and zoning:	
Wages	6 771 54
Contracted services – master plan	2 292 74
Office supplies	180 00
Education and training	165 00
Printing and publishing	289 70
	<u>9 698 98</u>
Highways and streets:	
Drains at large	<u>23 338 58</u>
Street lighting:	
Utilities	<u>3 455 77</u>
Social security	<u>4 220 40</u>
Total Expenditures	<u><u>218 274 59</u></u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS EXHIBIT G
March 31, 2004

	<u>Police</u>	<u>Road</u>	<u>Garbage</u>	<u>Total</u>
<u>Assets</u>				
Investments	75 451 77	142 648 91	128 284 14	346 384 82
Special assessments receivable	<u>4 875 00</u>	<u>2 998 94</u>	<u>2 300 00</u>	<u>10 173 94</u>
Total Assets	<u>80 326 77</u>	<u>145 647 85</u>	<u>130 584 14</u>	<u>356 558 76</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	<u>-</u>	<u>-</u>	<u>18 619 55</u>	<u>18 619 55</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>18 619 55</u>	<u>18 619 55</u>
Fund balances:				
Unreserved:				
Undesignated	<u>80 326 77</u>	<u>145 647 85</u>	<u>111 964 59</u>	<u>337 939 21</u>
Total fund balances	<u>80 326 77</u>	<u>145 647 85</u>	<u>111 964 59</u>	<u>337 939 21</u>
Total Liabilities and Fund Balances	<u>80 326 77</u>	<u>145 647 85</u>	<u>130 584 14</u>	<u>356 558 76</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

EXHIBIT H

Year Ended March 31, 2004

	<u>Police</u>	<u>Road</u>	<u>Garbage</u>	<u>Total</u>
Revenues:				
State revenue sharing	385 00	-	-	385 00
Interest	295 86	552 19	704 69	1 552 74
Special assessments	155 940 00	156 786 24	78 100 00	390 826 24
Miscellaneous	-	1 104 70	1 261 45	2 366 15
Total revenues	<u>156 620 86</u>	<u>158 443 13</u>	<u>80 066 14</u>	<u>395 130 13</u>
Expenditures:				
Public safety:				
Police protection:				
Contracted services	172 655 00	-	-	172 655 00
Professional services	225 00	-	-	225 00
Public works:				
Highways and streets:				
Contracted services	-	221 915 39	-	221 915 39
Professional services	-	225 00	-	225 00
Sanitation:				
Contracted services	-	-	76 748 07	76 748 07
Professional services	-	-	225 00	225 00
Total expenditures	<u>172 880 00</u>	<u>222 140 39</u>	<u>76 973 07</u>	<u>471 993 46</u>
Excess (deficiency) of revenues over expenditures	<u>(16 259 14)</u>	<u>(63 697 26)</u>	<u>3 093 07</u>	<u>(76 863 33)</u>
Other financing sources (uses):				
Operating transfers in	<u>30 000 00</u>	<u>75 000 00</u>	<u>8 000 00</u>	<u>113 000 00</u>
Total other financing sources (uses)	<u>30 000 00</u>	<u>75 000 00</u>	<u>8 000 00</u>	<u>113 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	13 740 86	11 302 74	11 093 07	36 136 67
Fund balances, April 1	<u>66 585 91</u>	<u>134 345 11</u>	<u>100 871 52</u>	<u>301 802 54</u>
Fund Balances, March 31	<u>80 326 77</u>	<u>145 647 85</u>	<u>111 964 59</u>	<u>337 939 21</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINING BALANCE SHEET – ALL CAPITAL PROJECTS FUNDS EXHIBIT I
March 31, 2004

	<u>Building</u>	<u>Fire Equipment</u>	<u>Total</u>
<u>Assets</u>			
Investments	50 612 52	27 552 91	78 165 43
Special assessments receivable	-	962 00	962 00
Total Assets	<u>50 612 52</u>	<u>28 514 91</u>	<u>79 127 43</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	-	-	-
Fund balances:			
Unreserved:			
Undesignated	50 612 52	28 514 91	79 127 43
Total fund balances	<u>50 612 52</u>	<u>28 514 91</u>	<u>79 127 43</u>
Total Liabilities and Fund Balances	<u>50 612 52</u>	<u>28 514 91</u>	<u>79 127 43</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL CAPITAL PROJECTS FUNDS

EXHIBIT J

Year Ended March 31, 2004

	<u>Building</u>	<u>Fire Equipment</u>	<u>Total</u>
Revenues:			
Interest	334 12	100 26	434 38
Special assessments	<u>-</u>	<u>29 668 00</u>	<u>29 668 00</u>
Total revenues	<u>334 12</u>	<u>29 768 26</u>	<u>30 102 38</u>
Expenditures:			
Public safety:			
Fire protection	<u>-</u>	<u>37 933 00</u>	<u>37 933 00</u>
Total expenditures	<u>-</u>	<u>37 933 00</u>	<u>37 933 00</u>
Excess (deficiency) of revenues over expenditures	<u>334 12</u>	<u>(8 164 74)</u>	<u>(7 830 62)</u>
Other financing sources (uses):			
Operating transfers in	<u>25 000 00</u>	<u>10 000 00</u>	<u>35 000 00</u>
Total other financing sources (uses)	<u>25 000 00</u>	<u>10 000 00</u>	<u>35 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	25 334 12	1 835 26	27 169 38
Fund balances, April 1	<u>25 278 40</u>	<u>26 679 65</u>	<u>51 958 05</u>
Fund Balances, March 31	<u><u>50 612 52</u></u>	<u><u>28 514 91</u></u>	<u><u>79 127 43</u></u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINING BALANCE SHEET – ALL ENTERPRISE FUNDS
March 31, 2004

EXHIBIT K

	<u>Water General</u>	<u>Water District #5</u>	<u>Water District #6</u>	<u>Water District #7</u>
<u>Assets</u>				
Current assets:				
Investments	155 511 37	39 829 09	23 243 12	56 460 92
Total current assets	<u>155 511 37</u>	<u>39 829 09</u>	<u>23 243 12</u>	<u>56 460 92</u>
Other assets:				
Special assessments receivable	-	63 157 01	15 387 46	44 427 74
Total other assets	<u>-</u>	<u>63 157 01</u>	<u>15 387 46</u>	<u>44 427 74</u>
Fixed assets:				
Property, mains & equipment	569 772 84	254 784 26	109 371 57	184 300 00
Less accumulated depreciation	<u>(282 480 00)</u>	<u>(63 700 00)</u>	<u>(28 285 00)</u>	<u>(46 080 00)</u>
Net fixed assets	<u>287 292 84</u>	<u>191 084 26</u>	<u>81 086 57</u>	<u>138 220 00</u>
Total Assets	<u>442 804 21</u>	<u>294 070 36</u>	<u>119 717 15</u>	<u>239 108 66</u>
<u>Liabilities and Fund Equity</u>				
Current liabilities:				
Current portion of long-term liabilities	-	-	10 000 00	13 733 00
Total current liabilities	<u>-</u>	<u>-</u>	<u>10 000 00</u>	<u>13 733 00</u>
Long-term liabilities:				
Bonds and loans payable	-	-	40 000 00	68 670 00
Deferred revenue – special assessments	-	61 234 28	14 835 80	43 702 00
Less current portion	<u>-</u>	<u>-</u>	<u>(10 000 00)</u>	<u>(13 733 00)</u>
Total long-term liabilities	<u>-</u>	<u>61 234 28</u>	<u>44 835 80</u>	<u>98 639 00</u>
Fund equity:				
Contributed capital	384 788 95	-	-	-
Retained earnings:				
Unreserved	<u>58 015 26</u>	<u>232 836 08</u>	<u>64 881 35</u>	<u>126 736 66</u>
Total fund equity	<u>442 804 21</u>	<u>232 836 08</u>	<u>64 881 35</u>	<u>126 736 66</u>
Total Liabilities and Fund Equity	<u>442 804 21</u>	<u>294 070 36</u>	<u>119 717 15</u>	<u>239 108 66</u>

<u>Water District #8</u>	<u>Water District #9</u>	<u>Water District #11</u>	<u>Water District #12</u>	<u>Total</u>
<u>34 483 80</u>	<u>41 075 53</u>	<u>182 050 46</u>	<u>423 380 89</u>	<u>956 035 18</u>
<u>34 483 80</u>	<u>41 075 53</u>	<u>182 050 46</u>	<u>423 380 89</u>	<u>956 035 18</u>
<u>137 938 58</u>	<u>19 972 24</u>	<u>306 505 93</u>	<u>394 806 77</u>	<u>982 195 73</u>
<u>137 938 58</u>	<u>19 972 24</u>	<u>306 505 93</u>	<u>394 806 77</u>	<u>982 195 73</u>
647 031 53	138 684 73	653 242 89	913 757 75	3 470 945 57
(141 975 00)	(31 203 00)	(81 655 00)	(91 375 76)	(766 753 76)
<u>505 056 53</u>	<u>107 481 73</u>	<u>571 587 89</u>	<u>822 381 99</u>	<u>2 704 191 81</u>
<u>677 478 91</u>	<u>168 529 50</u>	<u>1 060 144 28</u>	<u>1 640 569 65</u>	<u>4 642 422 72</u>
<u>42 900 00</u>	<u>7 100 00</u>	<u>45 000 00</u>	<u>65 000 00</u>	<u>183 733 00</u>
<u>42 900 00</u>	<u>7 100 00</u>	<u>45 000 00</u>	<u>65 000 00</u>	<u>183 733 00</u>
278 850 00	46 150 00	455 000 00	715 000 00	1 603 670 00
134 043 46	19 972 24	305 118 49	390 485 66	969 391 93
(42 900 00)	(7 100 00)	(45 000 00)	(65 000 00)	(183 733 00)
<u>369 993 46</u>	<u>59 022 24</u>	<u>715 118 49</u>	<u>1 040 485 66</u>	<u>2 389 328 93</u>
-	-	-	-	384 788 95
<u>264 585 45</u>	<u>102 407 26</u>	<u>300 025 79</u>	<u>535 083 99</u>	<u>1 684 571 84</u>
<u>264 585 45</u>	<u>102 407 26</u>	<u>300 025 79</u>	<u>535 083 99</u>	<u>2 069 360 79</u>
<u>677 478 91</u>	<u>168 529 50</u>	<u>1 060 144 28</u>	<u>1 640 569 65</u>	<u>4 642 422 72</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS – ALL ENTERPRISE FUNDS

EXHIBIT L

Year Ended March 31, 2004

	<u>Water General</u>	<u>Water District #5</u>	<u>Water District #6</u>	<u>Water District #7</u>
Operating revenues:				
Service charges	23 204 10	-	-	-
Total operating revenues	<u>23 204 10</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less operating expenses:				
Administration fees	-	366 11	92 72	262 22
Professional fees	25 356 40	225 00	225 00	225 00
Repairs and miscellaneous	646 61	-	-	-
Total operating expenses before depreciation	<u>26 003 01</u>	<u>591 11</u>	<u>317 72</u>	<u>487 22</u>
Operating income (loss) before depreciation	(2 798 91)	(591 11)	(317 72)	(487 22)
Less: depreciation	<u>(14 240 00)</u>	<u>(6 370 00)</u>	<u>(2 375 00)</u>	<u>(4 608 00)</u>
Operating income (loss)	<u>(17 038 91)</u>	<u>(6 961 11)</u>	<u>(2 692 72)</u>	<u>(5 095 22)</u>
Nonoperating revenues and (expenses):				
Special assessments	-	16 139 58	4 877 27	11 437 36
Interest income	1 048 03	199 02	211 51	441 93
Interest expense	-	-	(2 795 00)	(3 417 40)
Paying agent fees	-	-	(400 00)	-
Total nonoperating revenues and (expenses)	<u>1 048 03</u>	<u>16 338 60</u>	<u>1 893 78</u>	<u>8 461 89</u>
Net income (loss)	(15 990 88)	9 377 49	(798 94)	3 366 67
Retained earnings, April 1	<u>74 006 14</u>	<u>223 458 59</u>	<u>65 680 29</u>	<u>123 369 99</u>
Retained Earnings, March 31	<u><u>58 015 26</u></u>	<u><u>232 836 08</u></u>	<u><u>64 881 35</u></u>	<u><u>126 736 66</u></u>

<u>Water District #8</u>	<u>Water District #9</u>	<u>Water District #11</u>	<u>Water District #12</u>	<u>Total</u>
<u>800 00</u>	-	-	<u>800 00</u>	<u>24 804 10</u>
<u>800 00</u>	-	-	<u>800 00</u>	<u>24 804 10</u>
789 18	116 50	1 678 15	2 526 40	5 831 28
225 00	225 00	225 00	225 00	26 931 40
<u>522 60</u>	-	-	<u>1 303 51</u>	<u>2 472 72</u>
<u>1 536 78</u>	<u>341 50</u>	<u>1 903 15</u>	<u>4 054 91</u>	<u>35 235 40</u>
(736 78)	(341 50)	(1 903 15)	(3 254 91)	(10 431 30)
<u>(15 775 00)</u>	<u>(3 467 00)</u>	<u>(16 331 00)</u>	<u>(22 843 94)</u>	<u>(86 009 94)</u>
<u>(16 511 78)</u>	<u>(3 808 50)</u>	<u>(18 234 15)</u>	<u>(26 098 85)</u>	<u>(96 441 24)</u>
42 073 40	4 773 30	70 801 84	198 183 59	348 286 34
434 76	318 31	1 346 23	2 664 22	6 664 01
(17 760 60)	(2 939 40)	(27 500 00)	(43 160 00)	(97 572 40)
<u>(343 20)</u>	<u>(56 80)</u>	<u>(300 00)</u>	<u>(800 00)</u>	<u>(1 900 00)</u>
<u>24 404 36</u>	<u>2 095 41</u>	<u>44 348 07</u>	<u>156 887 81</u>	<u>255 477 95</u>
7 892 58	(1 713 09)	26 113 92	130 788 96	159 036 71
<u>256 692 87</u>	<u>104 120 35</u>	<u>273 911 87</u>	<u>404 295 03</u>	<u>1 525 535 13</u>
<u>264 585 45</u>	<u>102 407 26</u>	<u>300 025 79</u>	<u>535 083 99</u>	<u>1 684 571 84</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINING STATEMENT OF CASH FLOWS – ALL ENTERPRISE FUNDS EXHIBIT M
Year Ended March 31, 2004

	<u>Water General</u>	<u>Water District #5</u>	<u>Water District #6</u>	<u>Water District #7</u>
Cash flows from operating activities:				
Cash received from customers	23 204 10	-	-	-
Cash payments to suppliers for goods and services	<u>(26 003 01)</u>	<u>(591 11)</u>	<u>(317 72)</u>	<u>(487 22)</u>
Net cash provided (used) for operating activities	<u>(2 798 91)</u>	<u>(591 11)</u>	<u>(317 72)</u>	<u>(487 22)</u>
Cash flows from capital and related financing activities:				
Proceeds from special assessments	-	15 838 17	4 325 61	10 711 62
Principal paid on loans and bonds	-	-	(10 000 00)	(13 733 00)
Interest paid on loans and bonds	-	-	<u>(3 195 00)</u>	<u>(3 417 40)</u>
Net cash provided (used) for capital and related financing activities	<u>-</u>	<u>15 838 17</u>	<u>(8 869 39)</u>	<u>(6 438 78)</u>
Cash flows from investing activities:				
Interest income	<u>1 048 03</u>	<u>199 02</u>	<u>211 51</u>	<u>441 93</u>
Net cash provided (used) for investing activities	<u>1 048 03</u>	<u>199 02</u>	<u>211 51</u>	<u>441 93</u>
Net increase (decrease) in cash and cash equivalents	(1 750 88)	15 446 08	(8 975 60)	(6 484 07)
Cash and cash equivalents, April 1	<u>157 262 25</u>	<u>24 383 01</u>	<u>32 218 72</u>	<u>62 944 99</u>
Cash and Cash Equivalents, March 31	<u>155 511 37</u>	<u>39 829 09</u>	<u>23 243 12</u>	<u>56 460 92</u>
Reconciliation of operating income to net cash provided (used) for operating activities:				
Operating income (loss)	(17 038 91)	(6 961 11)	(2 692 72)	(5 095 22)
Depreciation	<u>14 240 00</u>	<u>6 370 00</u>	<u>2 375 00</u>	<u>4 608 00</u>
Net Cash Provided (Used) for Operating Activities	<u>(2 798 91)</u>	<u>(591 11)</u>	<u>(317 72)</u>	<u>(487 22)</u>

<u>Water District #8</u>	<u>Water District #9</u>	<u>Water District #11</u>	<u>Water District #12</u>	<u>Total</u>
800 00	-	-	800 00	24 804 10
<u>(1 536 78)</u>	<u>(341 50)</u>	<u>(1 903 15)</u>	<u>(4 054 91)</u>	<u>(35 235 40)</u>
<u>(736 78)</u>	<u>(341 50)</u>	<u>(1 903 15)</u>	<u>(3 254 91)</u>	<u>(10 431 30)</u>
41 242 21	4 773 30	72 302 91	200 684 04	349 877 86
(42 900 00)	(7 100 00)	(45 000 00)	(65 000 00)	(183 733 00)
<u>(18 103 80)</u>	<u>(2 996 20)</u>	<u>(27 800 00)</u>	<u>(43 960 00)</u>	<u>(99 472 40)</u>
<u>(19 761 59)</u>	<u>(5 322 90)</u>	<u>(497 09)</u>	<u>91 724 04</u>	<u>66 672 46</u>
<u>434 76</u>	<u>318 31</u>	<u>1 346 23</u>	<u>2 664 22</u>	<u>6 664 01</u>
<u>434 76</u>	<u>318 31</u>	<u>1 346 23</u>	<u>2 664 22</u>	<u>6 664 01</u>
(20 063 61)	(5 346 09)	(1 054 01)	91 133 35	62 905 17
<u>54 547 41</u>	<u>46 421 62</u>	<u>183 104 47</u>	<u>332 247 54</u>	<u>893 130 01</u>
<u>34 483 80</u>	<u>41 075 53</u>	<u>182 050 46</u>	<u>423 380 89</u>	<u>956 035 18</u>
(16 511 78)	(3 808 50)	(18 234 15)	(26 098 85)	(96 441 24)
<u>15 775 00</u>	<u>3 467 00</u>	<u>16 331 00</u>	<u>22 843 94</u>	<u>86 009 94</u>
<u>(736 78)</u>	<u>(341 50)</u>	<u>(1 903 15)</u>	<u>(3 254 91)</u>	<u>(10 431 30)</u>

TOWSHIP OF FRANKENMUTH
Saginaw County, Michigan

COMBINING BALANCE SHEET – ALL FIDUCIARY FUND TYPES

EXHIBIT N

March 31, 2004

	<u>Current Tax Collection</u>	<u>Cemetery Trust</u>	<u>Total</u>
<u>Assets</u>			
Investments	<u>3 363 82</u>	<u>26 024 50</u>	<u>29 388 32</u>
Total Assets	<u>3 363 82</u>	<u>26 024 50</u>	<u>29 388 32</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	-	14 34	14 34
Due to other funds	40 57	-	40 57
Due to others	<u>3 323 25</u>	-	<u>3 323 25</u>
Total liabilities	<u>3 363 82</u>	<u>14 34</u>	<u>3 378 16</u>
Fund balances:			
Reserved for cemetery maintenance	<u>-</u>	<u>26 010 16</u>	<u>26 010 16</u>
Total fund balances	<u>-</u>	<u>26 010 16</u>	<u>26 010 16</u>
Total Liabilities and Fund Balances	<u>3 363 82</u>	<u>26 024 50</u>	<u>29 388 32</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT O

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Investments	<u>-</u>	<u>2 466 957 03</u>	<u>2 463 593 21</u>	<u>3 363 82</u>
<u>Liabilities</u>				
Due to other funds	-	706 581 09	706 540 52	40 57
Due to others	<u>-</u>	<u>1 760 375 94</u>	<u>1 757 052 69</u>	<u>3 323 25</u>
Total Liabilities	<u>-</u>	<u>2 466 957 03</u>	<u>2 463 593 21</u>	<u>3 363 82</u>

TOWNSHIP OF FRANKENMUTH
Saginaw County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2004

EXHIBIT P

Cash in bank and investments – beginning of year	<u>-</u>
Cash receipts:	
Property tax and assessments	2 441 956 65
Property tax administration fees	24 585 58
Interest	414 80
Total cash receipts	<u>2 466 957 03</u>
Total beginning balance and cash receipts	<u>2 466 957 03</u>
Cash disbursements:	
Township General Fund	108 021 84
Township Road Fund	153 787 30
Township Lighting Fund	1 375 00
Township Police Fund	150 735 00
Township Garbage Collection Fund	75 600 00
Township Fire Equipment Fund	28 638 00
Township Water District #5 Fund	14 216 85
Township Water District #6 Fund	4 325 61
Township Water District #7 Fund	10 711 62
Township Water District #8 Fund	28 910 01
Township Water District #9 Fund	4 773 30
Township Water District #11 Fund	50 940 56
Township Water District #12 Fund	74 505 43
Saginaw County	951 526 01
Saginaw Intermediate School District	161 946 74
Delta College	197 175 60
Frankenmuth School District	436 551 32
Birch Run Township	3 671 52
City of Frankenmuth	1 107 95
Refunds	5 073 55
Total cash disbursements	<u>2 463 593 21</u>
Cash in Bank and Investments – End of Year	<u><u>3 363 82</u></u>

CAMPBELL, KUSTERER & CO., P.C.

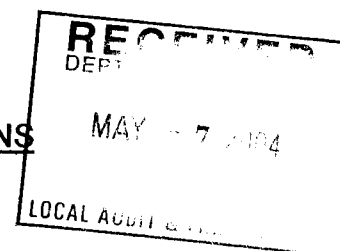
CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



April 16, 2004

To the Township Board
Township of Frankenmuth
Saginaw County, Michigan

We have audited the financial statements of the Township of Frankenmuth, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Frankenmuth in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Frankenmuth
Saginaw County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgement of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Frankenmuth
Saginaw County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Frankenmuth will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants